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R 171037Z FEB 09  
FM AMEMBASSY ASTANA  
TO RUEHC/SECSTATE WASHDC 4642  
INFO RUCNCIS/CIS COLLECTIVE 1209  
RUEHZL/EUROPEAN POLITICAL COLLECTIVE  
RUEHBJ/AMEMBASSY BEIJING 0592  
RUEHLM/AMEMBASSY COLOMBO 0040  
RUEHKA/AMEMBASSY DHAKA 0048  
RUEHIL/AMEMBASSY ISLAMABAD 2148  
RUEHBUL/AMEMBASSY KABUL 0432  
RUEHKT/AMEMBASSY KATHMANDU 0005  
RUEHNE/AMEMBASSY NEW DELHI 0530  
RUEHKO/AMEMBASSY TOKYO 1298  
RHMFISS/CDR USCENTCOM MACDILL AFB FL  
RUEKJCS/JOINT STAFF WASHDC  
RHEHNSC/NSC WASHDC 0771  
RUEAIIA/CIA WASHDC  
RHEFAAA/DIA WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC  
RHEBAAA/DEPT OF ENERGY WASHDC  
RUCPDOG/DEPT OF COMMERCE WASHDC  
RUEKJCS/SECDEF WASHDC 0687

C O N F I D E N T I A L SECTION 01 OF 02 ASTANA 000281

SIPDIS

STATE FOR SCA/CEN

E.O. 12958: DECL: 02/17/2019

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SUBJECT: KAZAKHSTAN SECURES LUCRATIVE DEALS WITH INDIA, BUT  
OBSTACLES TO "STRATEGIC PARTNERSHIP" REMAIN

REF: ASTANA 00200

Classified By: AMBASSADOR RICHARD E. HOAGLAND, 1.4(B/D)

¶1. (C) SUMMARY: President Nursultan Nazarbayev's January 23-26 trip to New Delhi as the guest of honor at India's 2009 National Day celebration underscored the close political relations between Kazakhstan and India which have existed since Kazakhstan's independence. However, despite professions of interest from both sides in strengthening economic ties, India and Kazakhstan are not yet key trading partners, in part because of geographical barriers. An Indian Embassy official in Astana also cautioned against overly high expectations from the uranium and oil deals signed in New Delhi. India's Defense Attache reported difficulties in developing Kazakhstan-India mil-mil ties.  
END SUMMARY.

INDIA SEEKS MORE TRADE, AS WELL AS EXCHANGES AND VISITS

¶2. (SBU) In several meetings with PolOff from October 2008 to January 2009, Indian Embassy Second Secretary D.C. Manjunath said that his Mission's three priority goals were to increase Kazakhstan-India trade, promote people-to-people exchanges, and encourage more frequent meetings between senior officials. Manjunath noted that Kazakhstan's main exports to India are mineral products and raw materials, while India's main exports to Kazakhstan include tea, pharmaceuticals, chemicals, plastics and machinery. He said the Indian Tea Agency and India's pharmaceutical industry expect their exports to Kazakhstan to increase, in part due to lack of alternative suppliers. Overall Kazakhstan-India bilateral trade turnover grew significantly in 2008, reaching \$367 million, in comparison to \$195 million in 2007. However, to put this figure into context, \$367 million represented just 0.3 percent of Kazakhstan's total trade turnover for the year. Manjunath explained to PolOff that the biggest barrier to bilateral trade is the lack of a viable land-transit route, resulting in very high costs for goods transport.

## CAUTIOUS ASSESSMENT OF ENERGY DEALS

13. (SBU) Manjunath offered a more cautious assessment of the oil and uranium agreements signed during the Nazarbayev visit than the Kazakhstani press reports. He explained that the Memorandum of Understanding and Cooperation signed by Kazatomprom (KAP) and the Nuclear Power Corporation of India Limited (NPCIL) was only "a company to company agreement," not a comprehensive 123 agreement such as India has with France, Russia and the United States. While Kazakhstan is looking for technology transfers, Manjunath told PolOff that "frankly speaking," India's primary interests are procuring a long-term contract for uranium supplies and conducting joint mining activities (see ref A). According to Manjunath, as soon as the U.S. government signed the U.S.-India Civilian Nuclear Agreement, India began negotiating to buy uranium products from Kazakhstan and Canada. Manjunath told PolOff the amounts of uranium India agreed to purchase from Kazakhstan that were discussed in the press after Nazarbayev's visit were only "floating figures," with the actual amounts to depend on price and demand.

14. (SBU) Although Manjunath said the deal on the Satpayev oil field was the crowning achievement of Nazarbayev's visit to India, he cautioned that whether it was to be exploratory only or would also encompass production remained to be finalized. Manjunath told PolOff that even if India's Oil and Natural Gas Corporation produces oil from Satpayev, the output would not likely be delivered to India, given the lack

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of a viable transport option. He noted that despite the fact that a significant number of Indians are working for oil service and engineering companies in Kazakhstan, Indian oil companies are not running any major operations in Kazakhstan.

## KAZATOMPROM OPTIMISTIC ABOUT DEALING WITH INDIA

15. (SBU) Although Manjunath highlighted the differences in Kazakhstani and Indian interests in the uranium sector, Ministry of Energy and Mineral Resources (MEMR) and Kazatomprom officials told PolOff they were optimistic about business with India. Yevgeniy Ryaskov, Acting Director of MEMR's Department of Nuclear Energy, told PolOff that, "India had approached Kazakhstan about selling India uranium long before the NSG granted India a waiver, therefore Kazakhstan refused. Now that the NSG had agreed, Kazakhstan is definitely interested." Sergey Poltoratskiy, Kazatomprom's Director of the Corporate Management Department, and Alexandr Trigubov, Director of Production, told PolOff that Kazatomprom sees major growth opportunities in supplying nuclear fuel pellets to markets where nuclear power plants are being built, expanded, or planned, including India, China, Vietnam, Indonesia, and Europe.

## MUTUAL INTEREST IN HIGH TECHNOLOGY

16. (SBU) On January 10, Kazakhstan's Vice Minister of Industry and Trade (and chief negotiator for WTO accession), Zhanar Aitzhanova, told the press that Kazakhstan is interested in cooperating with India in such commercial spheres as textiles, high-technology, and financial services. Manjunath told PolOff he also considers technology-related fields, particularly pharmaceuticals, metallurgy, and production of light machinery, as promising areas for cooperation. Manjunath admitted, however, that Indian businesses are not very well organized in Kazakhstan, and have no organization that mirrors the American Chamber of Commerce, which hinders close cooperation.

## MILITARY COOPERATION LIMITED

17. (C) The Indian Embassy's Defense Attache, Colonel Raja N.S. Subramani, reported to us difficulties in developing mil-mil relations between Kazakhstan and India. India is

very interested in enhancing cooperation with its mountain regiment, but has been unable to secure interest from the Kazakhstani side. The British Defense Attache in Astana, Lt. Col. Simon Fitzgibbon, reported that the British Embassy strongly supported an Indian offer to provide military training to Kazakhstani forces through a regional training center, and felt the Indian forces had valuable expertise to offer, but Kazakhstani military officials expressed low opinions of Indian capabilities.

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